Report

of the

Examination of

NATIONAL INSURANCE COMPANY OF WISCONSIN, INC.

Brookfield, Wisconsin

As of December 31, 2001

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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July 26, 2002

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Commissioner of Insurance
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Honorable Connie L. O'Connell
Commissioner of Insurance
State of Wisconsin
121 East Wilson Street
Madison, WI 53702

Commissioners:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

NATIONAL INSURANCE COMPANY OF WISCONSIN, INC.
Brookfield, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of the National Insurance Company of Wisconsin, Inc. was conducted in 1998 as of December 31, 1997. The current examination covered the intervening period ending December 31, 2001, and included a review of such 2002 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

National Insurance Company of Wisconsin, Inc. (NICW) was originally organized in 1895 as a town mutual insurance company under the name Campbellsport Mutual Insurance Company. In 1976, the company became a domestic mutual insurance company and changed its name to Camco Insurance a Mutual Company. In 1980, the company converted to a stock insurance company and changed its name to Wisconsin Employers Indemnity Company. From 1980 to 1989, the company's ultimate parent was American Express Company. The company was sold as an inactive shell corporation to National Services, Inc. on February 10, 1989 and the current name of National Insurance Company of Wisconsin was adopted.

The company writes direct premium in the following states:

Wisconsin	$2,357,694	70%
Michigan	432,710	13
Minnesota	333,131	10
North Dakota	117,851	4
All others	105,803	3
	$3,347,189	100%

In addition, the company is licensed but does not currently write direct premium in the following states: Alabama, Colorado, Delaware, Georgia, Idaho, Kentucky, Maryland, Mississippi, Missouri, South Dakota, Washington and Wyoming.

The company primarily writes group long-term disability insurance for school districts and municipalities. The company also writes a small volume of group short-term disability insurance. The business is marketed through an affiliated managing general agent, National Insurance Services of Wisconsin, Inc. (NIS). The affiliated agent places the majority of the business either directly with NICW or with American United Life Insurance Company (AUL) or with Madison National Life Insurance Company. AUL cedes a portion of its direct business marketed by NIS to the company under a reinsurance treaty. Further comments regarding the affiliate company relationships and reinsurance programs may be found in Sections IV and V of this report, respectively.

The following is a summary of the net insurance premiums written by the company in 2001. Premium amounts pertain to the company's single line of business, group accident and health. The growth of the company is discussed in the Financial Data section of this report.

Direct Premium Written	$3,347,189
Reinsurance Assumed	4,543,219
Reinsurance Ceded	1,644,166
Net Premium Written	$6,246,242

During 2001, NICW's direct premium written provided approximately 27% of the total net premium written while reinsurance premium assumed by NICW provided 73% of total net premium written.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of ten members. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also serve as executives of other companies in the holding company group or may be members of boards of directors in the holding company group. The board members currently receive $500 compensation for each board meeting attended.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Terry D. Briscoe Franklin, WI	Chairman / CEO of NIS Chairman / CEO of NICW	2003
Scott P. Briscoe New Berlin, WI	Executive Vice President / Secretary of NICW Director of NIS	2003
Clarence J. Dahlen Muskego, WI	Retired school business official	2003
Joseph M. DeRosa Elm Grove, WI	President of De Rosa Corporation	2003
Thomas D. Ehrsam Hartland. WI	Vice Chairman / COO of NICW Vice Chairman / COO of NIS	2003
Stephanie G. Laudon Shorewood, WI	Vice President / Director of NIS	2003
Bruce A. Miller Delafield, WI	President of NICW President / Director of NIS	2003
David M. Norton Muskego, WI	Vice President / Treasurer of NICW Vice President / Director of NIS	2003
Henry J. Ehrsam Hartland, WI	Vice President / Director of NIS	2003
Donald L. White Oconomowoc, WI	Vice President of Sales of NIS	2003

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2001 Compensation
Terry D. Briscoe	Chairman / CEO	$468,140
Thomas D. Ehrsam	Vice Chairman / COO	234,860
Bruce A Miller	President *	182,000
Scott P. Briscoe	Executive Vice President / Secretary	113,000
David P. Norton	Vice President / Treasurer *	81,000
John P. Norton	Investment Manager	41,459

The notation * indicates the officer is compensated by an affiliate of National Insurance Company of Wisconsin, Inc.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. Committees of the board of directors may be designated by resolution adopted by the affirmative vote of a majority of the directors.

The company's board of directors has not formally designated any executive committees of the board. However, two committees composed of officers, directors and employees of NICW and its affiliate, National Insurance Services of Wisconsin, Inc., serve the board of directors and company management in an advisory capacity. The committees at the time of the examination are listed below:

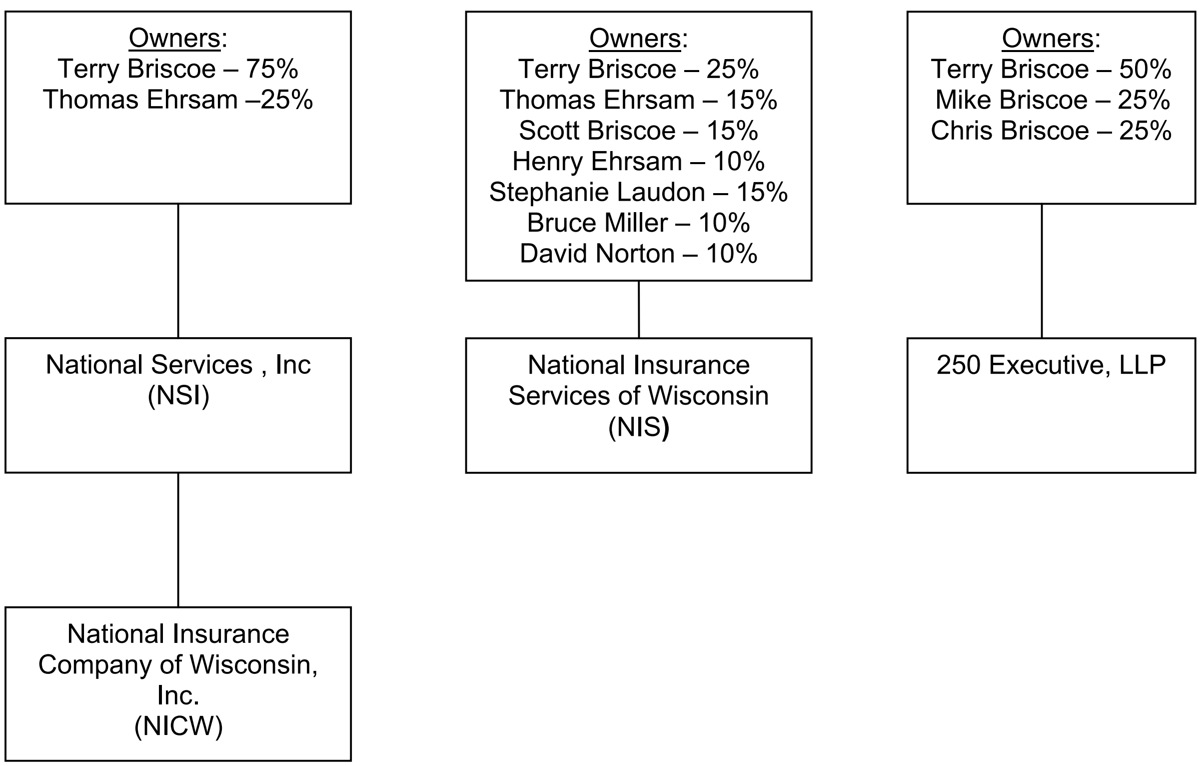
Investment Committee
Terry Briscoe, Chair
Thomas Ehrsam
Scott Briscoe
David Norton
John Norton
Jay Lauck
Bruce Miller

Strategic Planning Committee
Bruce Miller, Chair
Scott Briscoe
David Norton
Henry Ehrsam

IV. AFFILIATED COMPANIES

National Insurance Company of Wisconsin, Inc. is a member of a holding company system. The holding company system is owned by two individual investors, Terry D. Briscoe (75%) and Thomas D. Ehrsam (25%), who participate in the ownership interest of several companies collectively known as the National Services Group. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of National Insurance Company of Wisconsin, Inc. follows the organizational chart.

Organizational Chart
National Services Group
As of December 31, 2001



National Services Inc. (NSI)

National Services, Inc. (NSI) is the parent of NICW. It was created for the purpose of holding ownership of NICW and conducts no other specific business. See further comments under the Summary of Examination Results section of this report captioned “Holding Company Filings”.

National Insurance Services of Wisconsin, Inc. (NIS)

National Insurance Services of Wisconsin, Inc. (NIS) is a managing general agent, which is licensed as a third-party administrator in jurisdictions that require such licensure. NIS produces virtually all of the business written by NICW. As of December 31, 2001, NIS audited financial statements reported assets of $4,438,992, liabilities of $2,177,892 and capital and surplus of $2,261,100. Operations for 2001 produced net income of $1,333,188.

NIS performs agency and managerial business services for NICW under a commissions and administrative services agreement between the parties. NIS services provided under the agreement include general marketing, premium billing and receipt processing support, customer service, certificate issuance, underwriting preparation, general accounting, human resources and office services. Under the services agreement, NICW pays agents commissions for insurance agency marketing services provided by NIS as well as an administrative fee for NIS performance of various NICW administrative operating services.

NICW agrees to pay NIS profit-sharing compensation equal to 50% of NICW profits on long-term disability business which was sold and administered by NIS and underwritten by NICW after July 1,1989, under a profit-sharing agreement between NICW and NIS. The profit-sharing agreement defines "profit" as the accumulated aggregate total of all earned premiums for the subject policies, less the accumulated aggregate total of all claims, expenses and previous profit-sharing payments made to NIS.

The NICW deficit profit-sharing position for accumulated aggregate losses prior to 1998 was booked by the company as a non-admitted receivable asset and carried forward to be applied to the profitability calculation in future periods. Beginning in 1998, the company discontinued recording negative profit sharing expense on the general ledger and started to track the amount of negative profit sharing for general ledger adjustment once enough underwriting gains are generated to offset the loss. As of December 31, 2001, NICW had an unrecorded profit-sharing deficit of $750,745. The profit-sharing percentage was amended from 50% to 10%, effective July 1, 2001, or when the negative profit-share balance carried by NICW becomes zero.

Executive 250, L.L.P.

Executive 250 L.L.P. is a limited liability partnership that owns the home office building in which the company and other National Insurance Group entities are located. As of December 31, 1997, the owner of the building was a partnership named Briscoe Ehrsam Investments that had the same ownership as NICW. In 1998, the Briscoe Ehrsam Investments partnership was dissolved and Executive 250 L.L.P. was formed under the ownership of new partners as noted in the above organization chart. As of December 31, 2001, Executive 250 L.L.P. compiled financial statements reported assets of $2,922,647, liabilities of $3,465,926 and partners' deficit of $543,279. Operations for 2001 produced a net loss of $170,169.

NICW had extended a second mortgage to Briscoe Ehrsam Investments on September 17, 1993, collateralized by a security interest in the home office property. The second mortgage was a five-year note for the principal amount of $750,000, with scheduled payments through November 1998. In 1998, the outstanding debt on the second mortgage was assumed by the Executive 250 L.L.P partnership. At year-end 2001, the remaining outstanding unpaid balance on the note was $646,244.

V. REINSURANCE

The company's reinsurance portfolio and strategy is described below. The description includes a summary of major ceding and assumed reinsurer relationships as well as future reinsurance strategy plans. The contracts contain proper insolvency provisions.

Ceding Contracts

The company has two ceding reinsurance contracts. Under a coinsurance treaty with American United Life Insurance Company (AUL), effective January 1, 1997, AUL assumes 50% of NICW's existing and newly written long-term disability policies. NICW pays AUL its proportionate coinsurance percentage of premiums and AUL maintains loss reserves on its proportionate share of the risks. NICW administers and pays all claims on the subject business and is reimbursed for AUL'S proportionate share of claims paid plus a commission and expense allowance.

Effective July 1, 1999, NICW entered into a new reinsurance agreement with Reliastar Life Insurance (Reliastar) whereby NICW cedes 50% of new long-term disability business. Accordingly, AUL retains liability for 50% of claims incurred from January 1, 1997 through June 30, 1999, while Reliastar retains liability for 50% of claims incurred on or after July 1, 1999.

Assuming Contracts

The company has one assumption reinsurance contract whereby it assumes long-term disability risk on business written by AUL. The business is produced by NICW's affiliate, NIS. NIS places the business in AUL when the insured group requires an insurer to have an A.M. Best rating of at least A, or in other special circumstances when underwriting practices or price structure considerations favor the AUL placement rather than NICW. NICW's proportionate share of insurance risk assumed from AUL ranges from 25% on groups equal to greater than 500 lives to 50% on groups less than 500 lives.

AUL retains all premiums, maintains loss reserves and pays all claims for its entire book of NIS produced business. The reinsurance treaty provides for quarterly settlement of net reinsurance balances, with AUL paying ceded premiums to NICW on an earned basis plus interest on loss reserves less commissions, expense allowances and NICW's proportionate percentage of claims paid.

The reinsurance agreements are on a funds held basis whereby a receivable is established by NICW for premiums payable from the reinsurer. NICW reports a corresponding liability for its proportionate share of loss reserves applicable to the assumed risks.

Beginning January 1, 2002, the company's reinsurance strategy plan involves the following additional reinsurer relationships:

- Life Plans / Munich Reassurance Company - NICW intends to partner with Life Plans to offer a new long-term care product. Life Plans will provide various administrative services for NICW and Munich American Reassurance will assume 100% of the risks. NICW will retain a 3% writing fee.

- Lafayette Life / Group Reinsurance Plus - NICW plans to roll AUL assuming business to Lafayette Life by the end of 2003. Lafayette Life will cede 100% of the risk to Group Reinsurance Plus, who in turn will retrocede 50% of the risk to NICW.

As of December 31, 2001, there was no financial statement impact related to the above reinsurance agreements.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported in the December 31, 2001, annual statement to the Commissioner of Insurance. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

National Insurance Company of Wisconsin, Inc.
Assets
As of December 31, 2001

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$10,239,481	$	$10,239,481
Stocks:			
Preferred stocks	577,260		577,260
Common stocks	574,905		574,905
Mortgage loans on real estate:			
First liens			
Other than first liens	646,244		646,244
Cash	178,873		178,873
Short-term investments	654,734		654,734
Agents' balances or uncollected premiums:			
Premiums and agents' balances in course of collection			
Premiums, agents' balances, and installments booked but deferred and not yet due	109,353		109,353
Funds held by or deposited with reinsured companies	10,069,209	289,245	9,779,964
Federal and foreign income tax recoverable and interest thereon	722,880	398,224	324,656
Interest, dividends, and real estate income due and accrued	182,346		182,346
Receivable from parent, subsidiaries, and affiliates	71,294		71,294
Write-ins for other than invested assets			
Shareholder loan	808,000	808,000	0
Prepaid expenses	4,093	4,093	0
Total Assets	$24,838,672	$1,499,562	$23,339,110

National Insurance Company of Wisconsin, Inc.
Liabilities, Surplus, and Other Funds
As of December 31, 2001

Losses	$12,815,569
Loss adjustment expenses	149,160
Other expenses (excluding taxes, licenses, and fees)	488,719
Taxes, licenses, and fees (excluding federal and foreign income taxes)	20,052
Unearned premiums	46,202
Amounts withheld or retained by company for account of others	28,823
Total Liabilities	13,548,525
Common capital stock	2,000,000
Gross paid in and contributed surplus	1,000,000
Unassigned funds (surplus)	6,790,585
Surplus as Regards Policyholders	9,790,585
Total Liabilities and Surplus	$23,339,110

National Insurance Company of Wisconsin, Inc.
Summary of Operations
For the Year 2001

Underwriting Income	
Premiums earned	$6,225,609
Deductions:	
Losses incurred	2,885,731
Loss expenses incurred	304,296
Other underwriting expenses incurred	3,041,380
Total underwriting deductions	6,231,407
Net underwriting gain or (loss)	(5,798)
Investment Income	
Net investment income earned	783,510
Net realized capital gains or (losses)	3,355
Net investment gain or (loss)	786,865
Other Income	
Write-ins for miscellaneous income:	
Interest earned on assumed reserves	724,884
Total other income	724,884
Net income (loss) before dividends to policyholders and before federal and foreign income taxes	1,505,951
Dividends to policyholders	0
Net income (loss) after dividends to policyholders but before federal and foreign income taxes	1,505,951
Federal and foreign income taxes incurred	614,815
Net Income	$ 891,136

National Insurance Company of Wisconsin, Inc.
Cash Flow
As of December 31, 2001

Premiums collected net of reinsurance	$ 6,246,311		
Loss and loss adjustment expenses paid (net of salvage or subrogation)	3,181,838		
Underwriting expenses paid	2,230,898		
Cash from underwriting		$ 833,575	
Investment income (net of investment expense)		763,613	
Other income (expenses):			
Net funds held under reinsurance treaties	(688,264)		
Net amount withheld or retained for account of others	28,823		
Write-ins for miscellaneous items:			
Assumed interest receivable	724,884		
Total other income		65,443	
Deduct:			
Federal income taxes paid (recovered)		800,000	
Net cash from operations			$ 862,631
Proceeds from investments sold, matured, or repaid:			
Bonds	4,115,000		
Stocks	100,000		
Mortgage loans	16,759		
Total investment proceeds		4,231,759	
Cost of investments acquired (long-term only):			
Bonds	6,225,450		
Stocks	100,000		
Total investments acquired		6,325,450	
Net cash from investments			(2,093,691)
Cash provided from financing and miscellaneous sources:			
Net transfers from affiliates	4,152		
Total		4,152	
Cash applied for financing and miscellaneous uses:			
Net transfers to affiliates	204,793		
Other applications	4,287		
Total		$ 209,080	
Net cash from financing and miscellaneous sources			(204,928)
Net change in cash and short-term investments			(1,435,988)
Reconciliation			
Cash and short-term investments, December 31, 2000			2,269,595
Cash and short-term investments, December 31, 2001			$ 833,607

National Insurance Company of Wisconsin, Inc.
Compulsory and Security Surplus Calculation
December 31, 2001

Assets		$23,339,110	
Less liabilities		13,548,525	
Adjusted surplus			$9,790,585
Annual premium:			
Group accident and health	$6,246,242		
Factor	10%		
Total		624,624	
Compulsory surplus (subject to a minimum of $2 million)			2,000,000
Compulsory surplus excess (or deficit)			$7,790,585
Adjusted surplus (from above)			$9,790,585
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)			2,800,000
Security surplus excess (or deficit)			$6,990,585

National Insurance Company of Wisconsin, Inc.
Reconciliation and Analysis of Surplus
For the Four-Year Period Ending December 31, 2001

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	1998	1999	2000	2001
Surplus, beginning of year	$6,228,238	$6,456,097	$7,528,163	$8,733,384
Net income	188,786	1,113,567	1,132,435	891,136
Net unrealized capital gains or (losses)	39,073	135,252	(349,927)	(292,279)
Change in net deferred income tax				11,778
Change in non-admitted assets	0	(176,753)	422,713	(85,307)
Cumulative effect of changes in accounting principles				536,163
Write-ins for gains and (losses) in surplus:				
Correction of unrealized gain/loss BOY				(4,287)
Rounding Difference				(3)
Surplus, end of year	$6,456,097	$7,528,163	$8,733,384	$9,790,585

National Insurance Company of Wisconsin, Inc.
Insurance Regulatory Information System
For the Four-Year Period Ending December 31, 2001

The following is a summary of NAIC Insurance Regulatory Information System (IRIS) results for the period under examination. Exceptional ratios are denoted with asterisks. A discussion of the exceptional ratios may be found after the IRIS ratios.

	Ratio	1998	1999	2000	2001
#1	Gross Premium to Surplus	130.0%	117.0%	93.0%	81.0%
#2	Net Premium to Surplus	109.0	98.0	76.0	64.0
#3	Change in Net Writings	-6.0	5.0	-10.0	-6.0
#4	Surplus Aid to Surplus	0.0	0.0	0.0	0.0
#5	Two-Year Overall Operating Ratio	94.0	86.0	74.0	75.0
#6	Investment Yield	6.7	4.6	6.0	6.3
#7	Change in Surplus	4.0	17.0	16.0	12.0
#8	Liabilities to Liquid Assets	114.0*	108.0*	118.0*	116.0*
#9	Agents' Balances to Surplus	0.0	0.0	0.0	0.0
#10	One-Year Reserve Devel. to Surplus	-4.0	-32.0	-49.0	-23.0
#11	Two-Year Reserve Devel. to Surplus	21.0*	-14.0	-85.0	-60.0
#12	Estimated Current Reserve Dev. To Surplus	-18.0	-42.0	-70.0	-47.0

The company had exceptional results for Ratio #8, Liabilities to Liquid Assets, during the entire four-year period due to accounting practices related to the company's reinsurance program. NICW assumes reinsurance under a "funds with-held" basis. The company reports its proportionate share of premiums held by the reinsurer on risks ceded to the company as an asset "funds held by or on deposit with reinsured companies". The company also reports a corresponding loss reserve liability for its proportionate share of reserves on the assumed risks. These funds held by reinsurers are not included as an element of liquid assets, which is used as the divisor in the calculation of Ratio #8, resulting in the exceptional level of liabilities.

The company also reported an exceptional value for Ratio #11, Two-year Reserve Development, in 1998 associated with the carryover of the increase in incurred losses on the company's assumed business.

Growth of National Insurance Company of Wisconsin, Inc.
(in thousands)

Year	Admitted Assets	Liabilities	Surplus As Regards Policyholders	Net Income
1998	$18,512	$12,056	$6,456	$ 189
1999	20,349	12,821	7,528	1,114
2000	22,036	13,303	8,733	1,132
2001	23,339	13,549	9,790	891

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss And LAE Ratio	Expense Ratio	Combined Ratio
1998	$8,388	$7,068	$7,074	85.2%	22.2%	107.4%
1999	8,807	7,390	7,386	49.5	30.6	80.1
2000	8,116	6,666	6,682	61.2	24.9	86.1
2001	7,890	6,246	6,226	51.2	37.1	88.3

Admitted assets and liabilities have increased during the four-year history period, primarily in the large balances reported for funds held by its reinsurers and the related loss liability for the company's proportionate share of risks, as previously discussed under the company's assumed reinsurance contract. Invested asset growth has also contributed to the increase in total assets.

Surplus has increased approximately 50% or $3.3 million during this period primarily associated with the improvement in net income results since 1999.

Premiums written and earned decreased during this period under examination. The decrease is associated with actions taken to improve the AUL assumed business. This renewal strategy involved implementing across the board rate increases, modifying the benefits of higher risk AUL plans, and implementing new underwriting guidelines for new business. This decrease in assumed business was partially offset by an increase in direct premium written, which has been growing at approximately 5% per year.

The company attributes the significant decrease in the loss and loss adjustment expense ratio during the period to the above renewal strategy, specifically, modifying the benefits of higher risk AUL plans along with improving claims management. The loss ratio increase in 2000 is also impacted by the AUL decision to strengthen incurred but not reported reserves in conjunction with its previous loss experience.

The expense ratio increase in 1999 and decrease in 2000 is related to changes in profit-sharing expenses from $840,000 in 1999 to ($510,000) in 2000 under the profit-sharing agreement terms between NICW and its marketing affiliate, NIS. The increase in 2001 expenses is primarily related to the decision to start paying NICW’s chief executive officer and the chief operating officer a salary beginning in 2001, along with the impact of the previously discussed profit-sharing expense.

Reconciliation of Surplus per Examination

The following schedule is a reconciliation of surplus as regards policyholders between that reported by the company and as determined by this examination:

Surplus December 31, 2001, per Annual Statement			$9,790,585
	Increase	**Decrease**	
Funds held on deposit with reinsurers	$107,961	$	
Net increase or (decrease)	$107,961	$	107,961
Surplus December 31, 2001, per Examination			$9,898,546

Examination Reclassifications

	Debit	**Credit**
Premium in process of collection	$109,353	
Premium booked but deferred/not yet due		$109,353
Unearned Premium	46,202	
Advance Premium		46,202
Reinsurance recoverable on paid loss & LAE	287,470	
Due from reinsurer – assumed	49,851	
Due from reinsurer – ceded		157,812
Reinsurance payable on paid loss & LAE		49,851
Ceded reinsurance premium payable		129,658
Total reclassifications	$492,876	$492,876

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were twenty specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. <u>Management and Control</u>—It is recommended that the election of company officers and directors be conducted in compliance with the provisions of the company's bylaws.

   <u>Action</u>—Compliance

2. <u>Management and Control</u>—It is again recommended that the company maintain minutes of the proceedings of committee meetings.

   <u>Action</u>—Compliance

3. <u>Management and Control</u>—It is again recommended that the board of directors review company investment activity and act by vote of the membership to approve or disapprove of the investment portfolio and company investment activity.

   <u>Action</u>—Compliance

4. <u>Conflict of Interest</u>—It is again recommended that the company amend its conflict of interest disclosure forms and procedures to require that officers, directors, and executive employees make specific disclosure of any potential conflict of interests.

   <u>Action</u>—Compliance

5. <u>Holding Company Filings</u>—It is recommended that the company report to the Commissioner of Insurance holding company changes and material affiliated transactions, in compliance with the requirements of s. Ins 40.04 (2), Wis. Adm. Code.

   <u>Action</u>—Noncompliance – See further comments under the "Summary of Current Examination Results section captioned "Holding Company Filings".

6. <u>Administrative Agreement</u>—It is recommended that the company amend and maintain its commissions and administrative services agreement to reflect all of the contractual provisions of services to be provided and consideration to be paid for commissions and services.

   <u>Action</u>—Compliance

7. <u>Administrative Agreement</u>—It is recommended that the company amend its commission and administrative services agreement to provide for the timely settlement of balances, with settlement of balances to be performed not less frequently than on a quarterly basis.

   <u>Action</u>—Compliance

8. Information Technology—It is recommended that the company ensure that the information technology control environment has sufficient security and application controls, and that the control deficiencies cited above are corrected in systems used to perform company data management functions.

   Action—Compliance

9. Information Technology—It is again recommended that the company establish a disaster recovery plan and provide for emergency resources commensurate with the company's business continuation requirements.

   Action—Compliance – see further comments under the Summary of Current Examination Results section captioned "Information Technology".

10. Financial Reporting—It is recommended that the company ensure that Schedule P claims-paid detail is correctly reported in the company's annual statement, and that reported line of business detail ties to Schedule P, Part 2, Summary data, in conformity with NAIC Annual Statement Instructions—Property and Casualty.

    Action—Compliance

11. Financial Reporting—It is recommended that the company make full disclosure of any material contingent liability of the company in the notes to the statutory annual statement, in conformity with NAIC Annual Statement Instructions—Property and Casualty.

    Action—Compliance

12. Financial Reporting—It is recommend that the company exercise care in the preparation of its statutory annual statement, and that the company ensure that information reported in the annual statement is reported accurately and in conformity with NAIC Annual Statement Instructions—Property and Casualty.

    Action—Compliance

13. Invested Securities—It is recommended that the company timely file with the NAIC Securities Valuation Office a Securities Valuation Report for each newly acquired investment security, in compliance with the Purposes and Procedures Manual of the NAIC Securities Valuation Office.

    Action—Noncompliance – See further comments under the Summary of Current Examination Results section captioned "Invested Securities"

14. Mortgage Loans—It is recommended that the company file the mortgage loan contract for the loan to National BEL Partnership with the appropriate court, and that the company ensure that mortgage loan documents for collateral real estate be timely filed and recorded with the applicable local court of jurisdiction.

    Action—Compliance

15. Cash on Hand and on Deposit—It is again recommended that the company establish an unclaimed funds liability for checks that are more than one year outstanding, and that the company make appropriate unclaimed property fillings and payments with the State Treasurer, in compliance with Ch. 177, Wis. Stat.

    Action—Noncompliance - See further comments under the Summary of Current Examination Results section captioned "Cash on Hand and Deposit"

16. Funds Held by or Deposited With Reinsured Companies—It is recommended that the company ensure that settlement of balances under its reinsurance contracts be settled on a timely basis, in accordance with the settlement provisions of each reinsurance treaty.

    Action—Noncompliance – See further comments under the Summary of Current Examination Results section captioned “Funds Held By or On Deposit with Reinsured Companies”.

17. Funds Held by or Deposited With Reinsured Companies—It is recommended that the company ensure that the annual statement Schedule F correctly report funds-held transactions and year-end balances in conformity with NAIC Annual Statement Instructions—Property and Casualty.

    Action—Compliance

18. Funds Held by or Deposited With Reinsured Companies—It is recommended that the company nonadmit funds-held assets that are in excess of the applicable underlying loss reserve liabilities, in compliance with NAIC Accounting Practices and Procedures Manual for Property/Casualty Insurance Companies.

    Action—Compliance

19. Federal Income Tax—It is recommended that the company establish a formal income tax allocation agreement, and that the agreement provide for allocation and payment of income tax liability and benefit proportionately to the company’s income tax on a nonconsolidated basis.

    Action—Compliance

20. Miscellaneous Liabilities—It is recommended that the company properly report accruals for taxes, licenses, and fees liabilities, in accordance with NAIC Annual Statement Instructions—Property and Casualty.

    Action—Compliance – See further comments under the Summary of Current Examination Results section captioned “Taxes, Licenses and Fees”

Summary of Current Examination Results

Management and Control

The company's chief executive and chief operating officers did not receive salaries prior to 2001. The examination noted that the officer salaries beginning in 2001 were recorded in the minutes and officer bonuses were discussed in the minutes, but specific bonus amounts or calculations were not recorded. Minutes also did not evidence any review of non-investment grade bond write-downs at year-end 2001. In addition, the board minutes do not provide any evidence of directors who abstained from voting due to potential conflicts of interest as it relates to areas such as salary, bonus, affiliated mortgage or shareholder loan transactions. It is recommended that the board of director's minutes be expanded to more completely demonstrate oversight of company activities associated with:

- Material transactions including management bonus amounts and approval as well as non-investment grade security status
- Directors who abstain from voting because of potential conflicts of interest associated with their National Services group affiliate ownership and / or employment status, in accordance with s. 611.60, Wis. Stat.

Holding Company Filings

The company included audited financial statements of its holding company, National Services, Inc., with its Holding Company Registration Statement filings for years prior to 2001. The company indicated that this audited report was primarily prepared to satisfy the filing requirements for the state of Michigan and that they did not believe that it was required by any other state in which the company is licensed. The company indicated that they anticipated they would be able to obtain an exemption for the audit report from the state of Michigan, thus eliminating the need to incur additional expense. Consequently, they did not file audited financial statements for the holding company in their Holding Company Registration Statement for the year ending December 31, 2001.

NICW remains 100% owned by its affiliate holding company, National Services, Inc. Wisconsin, as the state of domicile, requires annual holding company reporting, and requires audited financial statements of the holding company unless otherwise exempted. The company violated s. 617.11, Wis. Stats. and s. Ins 40.15, Wis. Adm. Code, by failing to provide audited financial statements of its holding company in its 2001 Holding Company Registration Statement. It is recommended that the company obtain and file audited financial statements going forward for National Services, Inc., as the holding company for National Insurance Company of Wisconsin, in accordance with s. Ins 40.15, Wis. Adm. Code.

Review of the most current Holding Company Registration Statement dated April 25, 2002 also noted that Form C was omitted. The company violated s. 617.11, Wis. Stats. and s. Ins 40.15, Wis. Adm. Code, by failing to provide a Form C in its 2001 Holding Company Registration Statement. It is recommended that the holding company registration statement include both forms B and C, in accordance with s. 617.11, Wis. Stats. and s. Ins. 40.15, Wis. Adm. Code.

Review of the Form B, Holding Company Registration Statement filings for the period under examination noted that the filings failed to disclose all required transactions and relationships. The 2000 and 2001 Form B filings failed to disclose that in May 1, 2000 the company made a $1 million loan to the principal stockholders of NICW. The company violated s. 617.11, Wis. Stats. and s. Ins 40.15, Wis. Adm. Code, by failing to disclose the stockholder loan in its 2000 Holding Company Registration Statement, and again in its 2001 Holding Company Registration Statement.

In addition to annual disclosures discussed above, the company is required by s. 617.21(2), Wis. Stats. and s. Ins. 40.04, Wis. Adm. Code to report loans between an insurer and an affiliate in excess of 2% of the insurer's assets or 10% of the insurer's surplus to OCI at least 30 days prior to the transaction's effective date. Such transactions are subject to OCI disapproval during the 30 day period. The company violated s. 617.21(2), Wis. Stats. and s. Ins. 40.04, Wis. Adm. Code by failing to make the required Form D filing for the shareholder loan prior to its effective date. The transaction occurred in May, 2000. NICW reported the loan as a nonadmitted asset on its 2000 and 2001 annual statements. After inquiries about the asset from OCI, the company filed a Form D filing in January, 2001. The loan requires interest-only payments until May 1, 2003 at which time the principal and interest balance becomes due.

On September 30, 1998, the company gave a five year second mortgage loan to 250 Executive LLP, a partnership that owns the building that NICW and its affiliates use as a home office. The partnership is between NICW's largest stockholder and two of his relatives. Prior to September 30, 1998 the building was owned by a different affiliated partnership named Briscoe Ehrsam Investments, which had the same ownership as NICW. The Briscoe Ehrsam Investments partnership also had a five year second mortgage loan from NICW dated September 17, 1993. NICW violated s. 617.21(2), Wis. Stats. and s. Ins. 40.04, Wis. Adm. Code by failing to make the required Form D filing for the mortgage loan made to the new 250 Executive LLP partnership prior to the transaction's effective date.

The prior examination of the company made the recommendation that the company report to the Commissioner of Insurance holding company changes and material affiliated transactions, in compliance with the requirements of s. Ins 40.04 (2), Wis. Adm. Code. The current examination found the company violated s 601.41(4) Wis Stats. by failing to comply with that recommendation. It is again recommended that the company report holding company changes and material affiliated transactions, in compliance with the requirements of s. Ins. 40.04 (2), Wis. Adm. Code.

Affiliate Agreements

The company has a commission and administrative services agreement with NIS, whereby its affiliate performs most of the operating services, including functions associated with policy services, premium billing and claims services. The company did amend its agreement to provide for settlement of balances to be performed not less frequently than on a quarterly basis, in response to a prior examination recommendation.

Review of affiliate settlement accounts indicated a beginning year balance due to affiliates of approximately $204,000 in 2001. No first quarter 2001 settlement distribution was made. A fourth quarter 2001 estimated settlement resulted in a modest overpayment receivable to NICW of approximately $71,000. It is recommended that quarterly intercompany settlement be made on a timely basis, in accordance with the affiliate commission and administrative services agreement terms.

Information Technology

A disaster recovery contingency plan was documented in accordance with prior examination recommendations. The overall disaster plan was developed under the assumption that the company could be up and running in several days on a small computer network almost anywhere before significant operating issues occurred. Disaster plan review identified a number of missing items that would typically be expected. It is suggested that the company enhance its disaster recovery plan through inclusion of additional desirable items including documentation of manual procedures performed by functional department personnel, hardware priorities, critical external contact lists and non-standard software to be loaded on personal computers.

Invested Securities

Comparison of NAIC designations for investments reported in the annual statement with NAIC valuation data tracked by the company indicated a number of discrepancies. These discrepancies included company reporting of NAIC Provisionally Exempt (PE) ratings as “1”, “NR” rated bonds as “1” and “LP2” or “NR” rated preferred stocks as “P1AZ”. In addition, the company could not provide documentation supporting the designations of its “PE” or short-term class 1 securities. It is again recommended that the company: (1) report all investment ratings in accordance with NAIC designations, (2) file applicable securities valuation reports to obtain required ratings and (3) maintain sufficient evidence of Nationally Recognized Statistical Rating Office (NRSRO) documentation supporting PE bond and Class I short-term investment ratings, in accordance with the Purposes and Procedures Manual of the NAIC Securities and Valuation Office.

Cash On Hand and Deposit

Prior examination follow-up indicated that the company had not established an unclaimed funds liability account in accordance with the prior examination’s recommendations. Current examination review noted some checks outstanding greater than one year. It is again recommended that the company establish an unclaimed funds liability account for checks that are outstanding over one year to facilitate tracking for appropriate unclaimed property filings and payments with the state treasurer, in compliance with Ch. 177, Wis. Stat.

Current banking resolutions were requested, but not provided during the course of the examination. The company has three operating or claim disbursement accounts with two different signatory requirements. The general operating account requires stamped signatures up to a check amount of $2,500 and a manual signature when this amount is exceeded. Disbursement testing noted a few exceptions where these requirements were not being adhered. The claim disbursement account indicates dual signature requirements on checks over $10,000, which is printed on the check, however procedure review with the company indicated they could be stamped signatures. It was also noted that some signature stamps were kept under lock and key, while others were kept in unlocked drawers. It is recommended that the company review and adhere to its banking resolutions, which should address who is authorized to sign checks as well as the use of facsimile and manual signature requirements based on dollar risk limits. It is also recommended that the company secure signature stamps when not in use.

Funds Held By or On Deposit with Reinsured Companies

The company's ceding reinsurer withholds premiums on the business assumed by the company to fund the ceding company's payment of claims, as previously discussed under the "Reinsurance" section. The company's reinsurance contracts in force as of December 31, 2001 require quarterly settlement within 45 days after the end of the quarter. The examination found that year-end 2001 balances for the AUL ceded and assumed reinsurance were not settled until May 2002. The fourth quarter Reliastar settlement with respect to ceded business was not received until June 2002. The company failed to comply with the prior examination's recommendation that the company ensure that settlement of balances under its reinsurance contracts be completed on a timely basis, in accordance with the settlement provisions of each reinsurance treaty. It is again recommended that the company ensure that settlement of balances under its reinsurance contracts be completed on a timely basis, in accordance with the settlement provisions of each reinsurance treaty.

Review of the reinsurance accounting and settlement process also indicated that the company consolidates all of its reinsurance account balances in the "funds held on deposit with reinsurer" account. This accounting treatment does not correctly recognize the individual reinsurance receivable and payable settlement balances on the annual statement. Adjusting entries required to unbundle these funds held on deposit with reinsured companies account balance would result in the following reclassifications as of December 31, 2001:

Debit: Reinsurance Recoverable on Loss and LAE to recognize settlement reimbursement due NICW for the reinsurer portion of losses under ceded contracts	$287,470
Credit: Reinsurance Payable on Loss and LAE to recognize settlement payment by NICW for share of losses under assuming contracts	49,851
Credit: Reinsurance Premiums Payable to recognize settlement payment by NICW for premiums collected under ceding contracts	129,658
Net Surplus Increase due to Non Admitted Asset Decrease	$107,961

It is recommended that the company ensure that the annual statement and schedule F correctly report funds held year-end balances and transactions in conformity with NAIC Annual Statement Instructions – Property and Casualty and SSAP 62 and 64. The above examination adjustment to surplus is included in the "Reconciliation of Surplus Per Examination" section of the report.

Accrued Interest and Dividend Income

Review of the company's accounting for preferred stock dividends indicated that NICW was recording dividend income and related receivables on preferred stock securities prior to the actual dividend declaration date based on the assumption that dividends will be paid consistent with prior periods. It is recommended that the company not accrue dividend income on preferred stock securities until the dividend amounts are declared and an ex-dividend date is established per SSAP 32 – Investments in Preferred Stock.

Agents Balances In Course of Collection

Review of agent's balance indicated that the company had incorrectly classified and reported current premiums billed and due as "agents' balances and installments booked but deferred and not yet due". It is recommended that the company classify premiums billed and due on the annual statement as "premiums and agents' balances in course of collection", in conformance with NAIC Annual Statement Instructions – Property and Casualty, going forward.

Loans To Shareholders

Loans to shareholder balances of $808,000 represent outstanding balances on a loan to the CEO (Chief Executive Officer) and COO (Chief Operating Officer). The company indicates the loan was designed to meet executive financial needs, while providing NICW with an investment yield equivalent to the company's overall portfolio. The loan has the effect of returning to the shareholders a portion of the capital contributed to the company, so that the stockholders have use of the funds without receiving a stockholder dividend from the company. The loan is unsecured except by a pledge of the stockholders' interests in the holding company.

The loan, which was reported as non-admitted asset, bears interest at 7%, with quarterly interest payments. Payment of accrued interest as of December 31, 2001 was reviewed and found to be delinquent as follows: CEO loan interest payments for the fourth quarter of 2001 and first quarter of 2002 totaling $18,604 were not paid as of the date of this report. COO loan payments for the fourth quarter of 2001 and first quarter 2002 in the amount of $9,599 were paid in May 2002.

As noted in the section of this report headed "Holding Company Filings" the company failed to report the stockholder loan in its 2000 and 2001 Form B filings in violation of s. 617.11, Wis. Stats. and s. Ins 40.15 Wis. Adm. Code. In addition, the stockholder loan was not submitted to OCI for approval in violation of s. 617.21(2) Wis. Stats.and s. Ins 40.04 Wis. Adm. Code. It is recommended that: (1) all stockholder loans be fully repaid, with accrued interest within 90 days, and (2) that the company not make any future loans of any type to officers, directors, employees, or stockholders or partnerships who have an affiliated interest without prior written notice to OCI.

Unearned Premium

Review of unearned premiums reported on the annual statement indicated the company has incorrectly classified and reported balances related to advance premiums collected for policy payments with effective dates after December 31, 2001 as unearned premium. It is recommended that the company classify advance premiums under aggregate write-ins for liabilities on its balance sheet rather than unearned premiums, going forward, in conformity with

NAIC Annual Statement Instructions – Property and Casualty and SSAP 53 - Property Casualty Contracts - Premiums.

Wages Payable

Review of the wages payable accrual component of "Other Expenses" indicated that increases from prior year were primarily associated with the CEO and COO bonuses. These bonuses were discretionary in nature with no board of directors minutes identification of specific bonus amounts approved, as previously discussed under the "Management and Control" captioned section of this report. It is recommended that: (1) these CEO and COO bonus programs be formalized going forward, similar to other officer bonus programs, to identify specific performance criteria and minimize discretionary elements or (2) alternatively treat them as stockholder dividend distributions.

Deferred Compensation

Review of the deferred compensation component of "Other Expenses" indicated that the company's employee benefits program includes a phantom stock plan. Under this plan eligible employees receive the equivalent of "share units" of stock in NICW upon completion of five years of service. Yearly updates in the value of these quasi stock benefits are provided. Review of the December 31, 2001 accrued benefits indicated a balance of $28,051 based on the last valuation update which was as of December 31, 1997. The current valuation according to the company was $49,223. It is recommended that the phantom stock plan employer benefit accrual be valued on an annual basis, in accordance with plan provisions, to accurately reflect benefit funding.

Taxes, Licenses and Fees

Current examination review indicated that premium tax accruals were established in compliance with the prior examination report's recommendation. Review of December 31, 2001 accruals in relation to the year-end premium tax filings by state indicated a slight estimated over-accrual. It is recommended that a premium tax recordkeeping system be implemented to track estimated tax due and payments by state to facilitate more reasonable accrual estimates.

Capital Stock

The company was unable to produce requested copies of its common stock outstanding supporting its $2,000,000 capital stock balance reported on the annual statement. Legal counsel follow-up was also unsuccessful. It is recommended that the company secure original stock certificate documentation or obtain replacement certificates supporting its common capital stock balance reported on the annual statement.

Surplus

Review of annual statement reporting of gain and losses in surplus with the company indicated a number of potential reporting reclassifications under recent codification changes, with no overall impact on surplus. These reclassifications are the result of:

- Initial company errors in calculating Unrealized Gain or Loss for Deferred Tax Asset (DTA) purposes associated with incorrect inclusion of bond gains and omission of losses
- Annual Statement presentation issues associated with reporting the non-admitted portion of DTA from prior years as a “Change in Non-Admitted Assets” rather than combining under the “Cumulative Effect of Changes in Accounting Principles”

Potential reclassifications encompass the following adjustments:

• Increase in Change in Unrealized Loss	$119,534
• Increase in Change on Non-Admitted Assets	298,707
• Increase in Correction of BOY Unrealized Gain or Loss	4,289
• Decrease in Cumulative Effect of Change in Accounting	422,530

VIII. CONCLUSION

National Insurance Company of Wisconsin, Inc. reported admitted assets of approximately $23.3 million, liabilities of $13.5 million and capital and surplus of $9.8 million as of the December 31, 2001 examination date.

Surplus has increased from $6.5 million to $9.8 million or approximately $3.3 million during the four-year historical period since the prior examination, primarily associated with the improvement in net income results since 1999.

Significant decreases in loss and loss adjustment expense ratios have contributed to this overall trend. The company attributes these improved loss trends to its renewal strategy of implementing across the board rate increases, and modifying the benefits of higher risk AUL plans.

Examination results indicated the company failed to comply with four prior examination recommendations, including those related to reporting holding company transactions, filing investments with the NAIC Securities Valuation Office, and timely reinsurance settlement.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 26 Management and Control—It is recommended that the board of director's minutes be expanded to more completely demonstrate oversight of company activities associated with:
   - Material transactions including management bonus amounts and approval as well as non-investment grade security status
   - Directors who abstain from voting because of potential conflicts of interest associated with their National Services group affiliate ownership and / or employment status, in accordance with s. 611.60, Wis. Stat.

2. Page 27 Holding Company Filings—It is recommended that the company obtain and file audited financial statements going forward for National Services, Inc., as the holding company for National Insurance Company of Wisconsin, in accordance with s. Ins. 40.15, Wis. Adm.Code.

3. Page 27 Holding Company Filings—It is recommended that the holding company registration statement include both forms B and C, in accordance with s 617.11 Wis. Stats. and s. Ins. 40.15 Wis. Adm. Code.

4. Page 28 Holding Company Filings—It is again recommended that the company report holding company changes and material affiliated transactions, in compliance with the requirements of s. Ins. 40.04 (2), Wis. Adm. Code.

5. Page 28 Affiliate Agreements—It is recommended that quarterly intercompany settlement be made on a timely basis, in accordance with the affiliate commission and administrative services agreement terms.

6. Page 29 Information Technology—It is suggested that the company enhance its disaster recovery plan through inclusion of additional desirable items including documentation of manual procedures performed by functional department personnel, hardware priorities, critical external contact lists and non-standard software to be loaded on personal computers.

7. Page 29 Invested Securities—It is again recommended that the company: (1) report all investment ratings in accordance with NAIC designations, (2) file applicable securities valuation reports to obtain required ratings and (3) maintain sufficient evidence of Nationally Recognized Statistical Rating Office (NRSRO) documentation supporting PE bond and Class 1 short-term investment ratings, in accordance with the Purposes and Procedures Manual of the NAIC Securities Valuation Office.

8. Page 29 Cash on Hand and Deposit—It is again recommended that the company establish an unclaimed funds liability account for checks that are outstanding over one year to facilitate tracking for appropriate unclaimed property filings and payments with the state treasurer, in compliance with Ch. 177, Wis. Stat.

9. Page 30 Cash On Hand and Deposit—It is recommended that the company review and adhere to its banking resolutions, which should address who is authorized to sign as well as the facsimile and manual signature requirements based on dollar risk limits.

10. Page 30 Cash On Hand and Deposit—It is also recommended that the company secure signature stamps when not in use.

11. Page 30 Funds Held By or On Deposit With Reinsured Companies—It is again recommended that the company ensure that settlement of balances under its reinsurance contracts be completed on a timely basis, in accordance with the settlement provisions of each reinsurance treaty.

12. Page 31 Funds Held By or On Deposit With Reinsured Companies—It is recommended that the company ensure that the annual statement and schedule F correctly report funds held year-end balances and transactions in conformity with the NAIC Annual Statement Instructions – Property and Casualty and SSAP 62 and 64.

13. Page 31 Accrued Interest and Dividend Income—It is recommended that the company not accrue dividend income on preferred stock securities until the dividend amounts are declared and an ex-dividend date is established per SSAP 32 – Investments in Preferred Stock.

14. Page 31 Agents Balances in Course of Collection—It is recommended that the company classify premiums billed and due on the annual statement as "premiums and agents' balances in course of collection", in conformance with NAIC Annual Statement Instructions – Property and Casualty, going forward.

15. Page 32 Loans To Shareholders—It is recommended that: (1) all stockholder loans be fully repaid with accrued interest within 90 days and (2) the company not make any future loans of any type to officers, directors, employees, stockholders or partnerships who have an affiliate interest without prior written notice to OCI.

16. Page 32 Unearned Premium—It is recommended that the company classify advance premiums under aggregate write-ins for liabilities on its balance sheet rather than unearned premiums, going forward, in conformity with NAIC Annual Statement Instructions – Property & Casualty and SSAP 53 - Property Casualty Contracts - Premiums.

17. Page 33 Wages Payable—It is recommended that: (1) the CEO and COO bonus programs be formalized going forward, similar to other officer bonus programs, to identify specific performance criteria and minimize discretionary elements or (2) alternatively treat them as stockholder dividend distributions.

18. Page 33 Deferred Compensation—It is recommended that the phantom stock plan employer benefit accrual be valued on an annual basis, in accordance with plan provisions, to accurately reflect benefit funding.

19. Page 33 Taxes, Licenses and Fees—It is recommended that a premium tax recordkeeping system be implemented to track estimated tax due and payments by state to facilitate more reasonable accrual estimates.

20. Page 34 Capital Stock—It is recommended that the company secure original stock certificate documentation or obtain replacement certificates supporting its common capital stock balance reported on the annual statement.

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X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Russell Lamb	Financial Examiner
Donald Gasser	Financial Examiner

Respectfully submitted,

Tom M. Janke

Examiner-in-Charge